

TOPIC: FC02/UNIT 4/MBA III

TAXABLE EVENT IN GST - SUPPLY OF GOODS and SERVICES

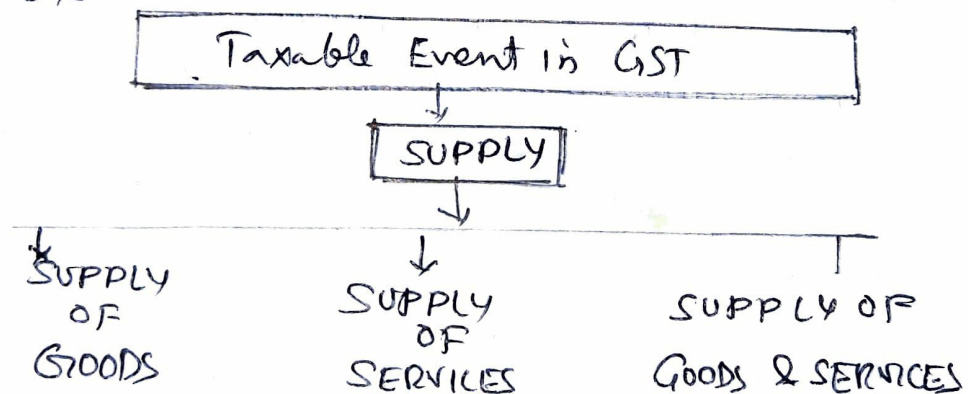
DATE OF CLASS: 14/09/2020 MONDAY

By. Dr. N. Ahmad. (GP)

GST is levied on supply of goods or services or both. So the main event which makes a transaction liable to GST is supply and not sale or manufacturing.

In short, The Taxable Event is Supply

Taxable event is the event on the happening of which, the tax is levied. It is that event, which on its occurrence creates or attracts the liability of tax.



The definition proposed under 122nd Constitution Amendment bill clarify that only "supply of goods and services" are liable to GST. To know first of all the two words "GOODS" & "SERVICES" ———— ?-e .

Sec 2(52) GOODS ⁽²⁾ means every kind of movable property other than money and securities but include actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be separated before supply or under a contract of supply;

SERVICES (Sec 2(102))

Services mean anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other form, currency or denomination to another form, currency or denomination for which a separate consideration is charged.

Basically, service is "economic activity" resulting in "value addition" which can be perceived but cannot be seen as it is intangible. One thing note that service is perishable and it can't be stored. Service once availed cannot be "returned" to service provider or transferred to another person, while goods can be returned or transferred. Service cannot be seen.

So . SUPPL UNDER GST = SUPPLY OF goods + SUPPLY OF Service

(3)

Section 7 provide that SUPPLY is a transaction for a consideration by a person in the course of furtherance of business.

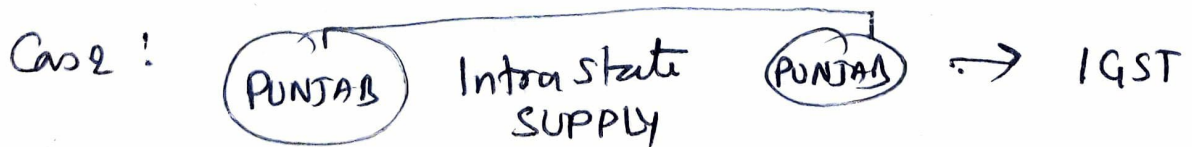
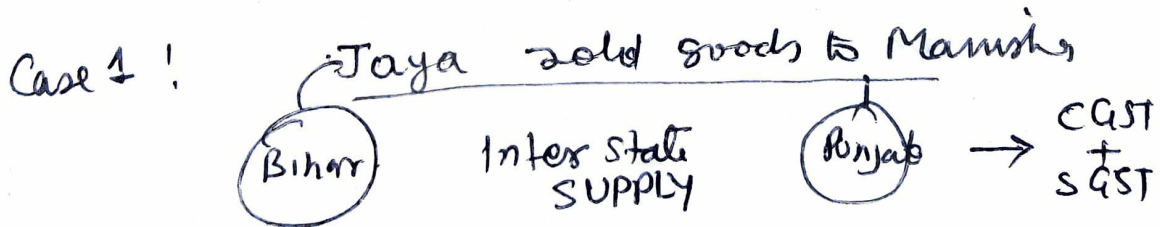
Essential characteristics of SUPPLY

- ✓ SUPPLY can be of goods or services or both
- ✓ supply must be for consideration
- ✓ supply must be for furtherance of business
- ✓ supply must be made in the taxable territory
- ✓ supply must be made by a taxable person
- ✓ supply must be taxable supply.

Supply may be intra or inter state
goods " "

service " "

Both goods & service $\left\{ \begin{array}{l} \text{Composite supply.} \\ \text{Mixed supply} \end{array} \right.$



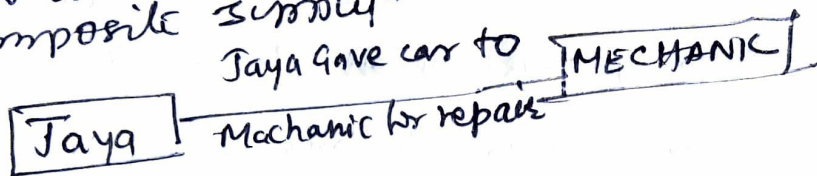
Composite SUPPLY See 2(30) of the CGST Act

Composite supply means a supply made by a taxable person to a recipient and

(4)

- Comprises two or more taxable supplies of goods or services or both, or any combination thereof.
- are naturally bundled and supplied in conjunction with each other, in the ordinary course of business.
- one of which is a principal supply.

How to determine the tax liability on composite supply -



Example: Car given for service, it is a composite supply.

1. Supply = Composite supply. [Car (goods) + Repair (service)]
2. Principal supply = Repair of Car

Here main intention to be considered to determine whether this is a supply of good or service and also all other services should be merely ancillary to the main supply.

Mixed Supply See 2(74)

It means:

- Two or more individual supplies of goods or service, or any combination thereof, made in conjunction with each other by a taxable person.
- for a single price when such supply does not constitute a composite supply.

How to determine

A house given on rent, 1st floor to be used for residence and 2nd floor for a printing press. Here two different purposes are not naturally bundled in the ordinary course of business. Therefore, if a single rent deed is executed it will be treated as mixed supply.

(5)

Exclusion from supply

Sec 7(2) · Such transaction or activities undertaken by Govt or local authority or Public authority shall be treated as neither supply of goods or services

(A) Negative list (Schedule III)

- Service by employee to employer

- Service by Court or Tribunal.

- Services by MP and others

- Services of funeral, burial etc.

- Sale of land & buildings (Schedule II).

- Actionable claim other than, lottery betting & gambling

- Betting or gambling (See 65B(15))

- Lottery -

(B) Activities or transactions undertaken by Government

INCLUSION OF SUPPLY

Following Taxable Supplies shall be levied UNDER GST

Sec 7(1)

(A) Supplies under section 7(1) (a) include:

* All the forms of supply

* Of goods or services or both

* For consideration

* by a taxable person

* for the ordinary course of business or for furtherance of business.

Under this section supply includes

1. Sale

2. Transfer

(6)

- 3. Barter : Exchange any thing but not use money
- 4. Exchange : Mutually transfer of ownership
- 5. License : powers or right .
- 6. Rental : HPS or IPS (Periodical payment)
- 7. Lease : Instalment & Periodical Payment
- 8. Disposal : Selling of assets at time of closing down of the business .